

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

POST OFFICE STRUCTURE PLAN

Docket No. N2012-2

INITIAL BRIEF OF UNITED STATES POSTAL SERVICE
(July 20, 2012)

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I. STATEMENT OF THE CASE

When the United States Postal Service (Postal Service) determines that there should be a change in the nature of postal services that will generally affect service on at least a substantially nationwide basis, it is required by title 39, United States Code section 3661(b), to request that the Postal Regulatory Commission (Commission) issue an advisory opinion on the proposed service change. While the Postal Service does not consider the realignment of hours at a Post Office as necessarily giving rise to a nationwide change in service, the Postal Service recognizes that the result of the changes in service from Post Office Structure Plan (POStPlan) could be “substantially nationwide,” within the meaning of 39 U.S.C. § 3661(b). Request at 2.

Pursuant to 39 C.F.R. §3001.72, the Postal Service must file a request with the Commission of a change affecting service on a nationwide or substantially nationwide basis “not less than 90 days” before implementation. The Postal Service determined that POStPlan changes potentially affect customer access at approximately 17,728 of the more than 32,000 Post Offices, stations and branches in its retail network. Consequently, the Postal Service filed its request for an advisory opinion (Request) with the Commission on May 25, 2012.

As this Initial Brief explains, the Postal Service has presented reliable, probative, and substantial evidence to support an advisory opinion from the Commission that the POStPlan conforms to the policies of Title 39. The POStPlan service standard changes and underlying operational effects represent prudent, responsible, and proactive stewardship of the Postal Service’s retail network as Post Office retail hours continue to exceed customer use of postal services via traditional retail channels.

The Postal Service has presented compelling evidence that supports the request and the parties who intervened have not offered any probative or substantial evidence to warrant a contrary conclusion. The Postal Service believes that the Commission will review the testimony and discovery carefully and issue constructive and supportive advice.

II. PROCEDURAL HISTORY

On May 25, 2012, the Postal Service filed with the Postal Regulatory Commission a Request for an Advisory Opinion on POSTPlan, to align retail window service hours with customer use. In support of its Request, the Postal Service submitted the direct testimony of witness Jeffrey C. Day, Manager of Retail Operations in the Office of Delivery and Post Office Operations at the United States Postal Service Headquarters, along with five library references. On May 30, 2012, the first notice of intervention and request for written discovery were filed. On the following day, May 31, 2012, the Commission issued Order No. 1361 which provided public notice of the Request, initiated this docket, appointed an employee to represent the public interest, and established a date for a hearing.¹ Subsequently, eight other parties filed notices of intervention.

During discovery, the Postal Service's direct case was supplemented by the filing of nine additional library references, responses to formal written interrogatories, and document requests from intervenors and the Commission. An evidentiary hearing was held at the Commission on Wednesday, July 11, 2012, for entry of the Postal Service's direct testimony, associated library references, and designated interrogatory responses

¹ Chairman Goldway issued a notice designating Commissioner Langley as the Presiding Officer. See Notice of the Chairman Designating Presiding Officer, PRC Docket No. N2012-2, June 1, 2012.

into evidence, as well as for oral cross-examination of the Postal Service's witness Jeffrey Day.

On July 13, 2012, the Postal Service filed responses to questions posed by the Commission during oral-cross examination.² In addition, on July 16-17, 2012, the Postal Service filed responses to outstanding interrogatories and Presiding Officer's Information Requests.³ No rebuttal testimony was filed by the intervening parties. On July 18, 2012, the Commission issued P.O. Ruling N2012-2/6 to designate additional responses and close the record.⁴

III. THE POSTAL SERVICE HAS EXPLAINED AND SUPPORTED THE CHANGES PROPOSED IN THIS DOCKET

A. POStPlan Enables The Postal Service To Match Retail Window Service Hours To Customer Use And Offers An Opportunity For Communities To Avoid The Discontinuance Study Process.

The purpose of POStPlan is to examine the Postal Service retail network and identify opportunities to realign retail window service hours to better match customer use. Direct Testimony of Jeffrey C. Day on Behalf of the United States Postal Service (USPS-T-1) (May 25, 2012) at 10, 24. After implementation of POStPlan, the Postal Service will continue to serve the needs of its customers, and the communities affected by POStPlan will continue to have access to the products and services that are provided today, including those products and service unavailable through some alternate access

² Responses of United States Postal Service to Questions Posed During Oral Cross-Examination of Witness Day, PRC Docket No. N2012-2, July 13, 2012.

³ United States Postal Service Notice of Filing Errata to United States Postal Service Response to Question 5 of Presiding Officer's Information Request No. 4 [Errata], PRC Docket No. N2012-2, July 13, 2012; United States Postal Service Responses to Questions 1-3 of Presiding Officer's Information Request No. 5, PRC Docket No. N2012-2, July 16, 2012; United States Postal Service Response to David B. Popkin Follow-Up Interrogatory (DBP/USPS-32), PRC Docket No. N2012-2, July 16, 2012; United States Postal Service Notice of Filing Errata, PRC Docket No. N2012-2, July 17, 2012.

⁴ The closure of this docket on July 18, 2012 was subject to the Postal Service filing additional items listed in the P.O. Ruling N2012-2/6, at 2.

means. *Id.* at 9. POStPlan provides customers the opportunity to maintain their existing Post Office while allowing the Postal Service to address its operational and financial needs by realigning retail window service hours to better match customer use. *Id.* at 24.

The changes proposed in POStPlan respond to current trends in customer use of postal services. *Id.* at 4-5. Customers have more options for obtaining postal services, and they have increased their use of options that serve as alternatives to Post Offices. *Id.* at 3. Consistent with this change in customer behavior, the percentage of revenue attributable to Post Offices and other Postal Service-operated retail units has declined over the last five years and the percentage of revenue attributable to alternative access channels has increased. *Id.* at 4. This decline is particularly severe with respect to the Post Offices evaluated under POStPlan, as these offices have experienced reductions in the purchase of postal services as measured by revenue. *Id.* at 6-7.

Because of the changes in customer behavior described above, the current Postal Service retail network does not reflect actual customer use of postal services. *Id.* at 5; Tr. 1/226. As demonstrated in witness Day's testimony, the disparity between retail window service hours and workload, which serves as a proxy for customer use, is particularly evident for Post Offices evaluated under POStPlan. USPS-T-1 at 5-6, Figure 2.

The Postal Service has designed POStPlan to tailor the Postal Service's retail network to customer use of postal services, using adjusted earned workload as a proxy for customer use. *Id.* at 16; Tr. 1/158, 232, 273. POStPlan involves an examination of adjusted earned workload and geographical proximity within the Postal Service retail

network for Post Offices classified at EAS Level 16 or below. USPS-T-1 at 1, 13-14.

This examination will lead to three possible results: (1) reclassification of the Post Office at EAS Level 18 or above; (2) realignment of retail window service hours to reflect actual workload; or (3) initiation of a discontinuance study. *Id.* at 1. In communities served by a Post Office not reclassified at Level 18 or above, the Postal Service will solicit community feedback and consider this feedback in determining whether to select the Post Office for realignment of retail window service hours to match customer use. *Id.* at 16, 22. In general, a POSTPlan evaluation will not lead to discontinuance study unless the community has exhibited a strong preference for discontinuance study, which is demonstrated where more than sixty percent of returned questionnaires indicate a preference for discontinuance study. *Id.* at 15; Tr. 1/91, 159.

If a POSTPlan assessment leads to realignment of retail window service hours, the affected Post Office could become a Remotely Managed Post Office (RMPO) or a Part-Time Post Office (PTPO). USPS-T-1 at 11. In general, an RMPO will offer retail window service hours that reflect adjusted earned workload – either 2, 4, or 6 hours per weekday – and will report to an Administrative Post Office (APO). *Id.* at 12-13; Tr. 1/160. RMPOs classified at Level 6 will be staffed by career employees. USPS-T-1 at 13. RMPOs classified at Levels 2 or 4 will be staffed by noncareer employees. *Id.* The PTPO classification reflects a Post Office's geographical proximity within the Postal Service's retail network, which is described in pages 13-14 of witness Day's testimony. USPS-T-1 at 13-14. More specifically, a POSTPlan candidate Post Office located 25 or more driving miles from the nearest Post Office or outside a 25 mile radius of the nearest APO qualifies for PTPO status, unless it qualifies for reclassification at EAS

Level 18 or above based on adjusted earned workload. *Id.* PTPOs will offer retail window service for 6 hours per weekday, will be staffed by career employees, and will report to a district office. *Id.*; Tr. 1/162. Saturday hours will not change as a result of POSTPlan. USPS-T-1 at 13.

B. POSTPlan Applies To Operational Post Offices Classified At EAS Level 16 Or Below.

Of the approximately 26,703 Post Offices in the postal retail network, POSTPlan includes a subset of approximately 17,728 operational Post Offices classified at EAS Level 16 or below. *Id.* at 1 n.1, 2, 11; Tr. 1/242. POSTPlan does not include suspended Post Offices. *Id.* at 1 n.1, 11 n.6. Pursuant to POSTPlan, the Postal Service has examined these POSTPlan candidate Post Offices with a focus on adjusted earned workload and geographic proximity within the Postal Service retail network. *Id.* at 11, 13-14. If the retail window service hour realignment option presented in POSTPlan is selected for all POSTPlan Offices, the Postal Service expects that, as a result of the process described in POSTPlan, 4,568 Post Offices will be reclassified at EAS Level 18 or above; 409 Post Offices will be classified as PTPOs; 3,925 Post Offices will be classified as Level 6 RMPOs; 6,859 Post Offices will be classified as Level 4 RMPOs; and 1,967 Post Offices will be classified as Level 2 RMPOs. See USPS-LR-N2012-2/11.

C. POSTPlan Utilizes Sound, Longstanding Methodology To Align Actual Workload With Retail Window Service Hours.

RMPOs and PTPOs will be evaluated through calculations based on modified Customer Service Variance (CSV) and Small Office Variance (SOV) programs. As general background, CSV and SOV are longstanding management tools that provide workload, productivity, workhour, complement, and route and delivery analysis. See

USPS-T-1 at 11-12. These programs calculate actual versus earned performance against standardized target productivity expectations, and trend performance from national results to the unit level. *See id.* CSV and SOV integrate locally reported unit workload data from multiple national data systems, and use data to identify savings opportunities in a relevant and actionable performance management platform. *See id.* Both CSV and SOV use Point-of-Sale data where available and rely on an algorithm using revenue data for Post Offices that do not utilize Point-of-Sale terminals. *See id.* Together, CSV and SOV provide for enhanced management through a standardized and intuitive format. *See id.*

Earned workload in CSV and SOV data can be categorized into several primary groups: retail transactions, box distribution, delivery distribution, Postmaster administrative time (SOV only), and miscellaneous administrative time, including automation and business services. *See* USPS-LR-N2012-2/2. Earned hours based on CSV or SOV for each PStPlan Office are available in USPS-LR-N2012-2/2. For retail transactions, this number is calculated based on the type of transaction and a determined factor for how long a transaction will take to complete. Tr. 1/87, 142. In addition, for every 45 minutes of actual earned work, an extra 15 minutes is added to earned workload for retail transactions. Tr. 1/274. For distribution activities, actual workload is calculated based on the number of deliveries and the type of delivery. Tr. 1/273-74. Administrative time is determined using a determined factor for how long an activity will take to complete and the number of activities completed. *Id.*

Initially, the Postal Service examined earned workload for each office based on CSV/SOV data from FY 2011. See USPS-T-1 at 16 n.13. CSV/SOV data for total earned workload, less Postmaster Administrative time, was multiplied by a factor of 1.1 to determine a POSTPlan Office's daily Adjusted Earned Workload (AEWL). See USPS-T-1 at 12; see *a/so* Tr. 1/274. The Postal Service included this 1.1 multiplier to account for minor variations in calculation of earned workload using CSV and SOV and as a means for an RMPO to adjust upward its window service hours if its number of retail transactions increases. *Id.* Based on these calculations, POSTPlan Offices having more than 5.74 hours of AEWL were categorized as EAS Level 18 or above. The window service hours for POSTPlan Offices having 5.74 or fewer hours of AEWL, and classified as an RMPO, are either 2, 4 or 6 hours, as determined using Figure 6 on page 13 of the testimony of witness Day.⁵ As previously discussed, Saturday hours will not change as a result of the POSTPlan. See USPS-T-1 at 13; see also Tr. 1/31, 310.

RMPOs report to and are managed by a Postmaster domiciled at a Post Office separate from the RMPO, which is designated as the APO for the RMPO. See Tr. 1/29, 160-61. APOs will manage clusters of RMPOs, not to include more than 10 RMPOs per cluster. Tr. 1/28, 123.

In addition to RMPOs, the Postal Service is also establishing PTPOs under POSTPlan. A PTPO is a Post Office that is 25 or more driving miles from the nearest Post Office or that is outside a 25 mile radius of the nearest APO, which would otherwise be a Level 2, 4 or 6 RMPO. USPS-T-1 at 13-14; Tr. 1/270-72. PTPOs will be

⁵ As identified in the Notice of Filing Revised Library Reference No. 1, filed July 19, 2012, 16 offices that were originally, incorrectly designated as PTPOs were later reclassified as RMPOs. Those offices were classified as Level 6 RMPOs regardless of earned workload to accommodate staffing issues. Consistent with the annual review process discussed below, these offices will be reevaluated in FY 2014 using actual AEWL.

operated with 6 hours of window service each weekday regardless of actual AEWL. *Id.* In contrast to an RMPO, a PTPO will report to a district office, not an APO. Tr. 1/162. As a result, for PTPOs, the Postmaster Administrative time is added back to AEWL, which in some instances resulted in an office that would otherwise be classified as a PTPO being upgraded to EAS Level 18. See Tr. 1/122. A Post Office's designation as a PTPO or RMPO does not affect the services provided by that Post Office. See Tr. 1/108.

D. The Postal Service Will Solicit And Consider Community Feedback Regarding Implementation Of POSTPlan.

Once a Post Office has been identified as a candidate for an RMPO or a PTPO under the methodology described in Section III.C. above, the Postal Service will begin gathering community feedback regarding how to proceed with a given Post Office. See USPS-T-1 at 16. Specifically, at the district and field level, the Postal Service will gather feedback from affected communities via a customer survey and community meeting. See USPS-T-1 at 16-19. The Postal Service anticipates that it will begin distributing surveys and scheduling community meetings in September 2012. USPS-T-1 at 22.

The Postal Service will distribute the customer survey to all addresses serviced by the Post Office under consideration, including addresses served by city, rural, contract, and P.O. Box delivery. Tr. 1/26; USPS-LR-N2012-2/13. The Postal Service will also post a notice within the facility explaining that the office is being considered for review under POSTPlan and surveys will be made available to those that request them at the retail counter. USPS-LR-N2012-2/13.

The cover letter accompanying the customer survey will provide a description of POSTPlan, and the survey will ask respondents to indicate their preference regarding the future of their Post Office, namely whether respondents prefer (1) keeping the Post Office open with realigned weekday window service hours; (2) discontinuing the Post Office and replacing service with curbside delivery via a rural carrier; (3) discontinuing the Post Office and replacing service with a contractor-operated retail unit; or (4) discontinuing the Post Office and replacing service with a nearby Post Office. Tr. 1/36; USPS-LR-N2012-2/13.

The cover letter accompanying the survey will also provide information about the community meeting. The letter will explain that the Postal Service will share the results of the survey with the community, answer questions, and provide additional information at the meeting. USPS-LR-N2012-2/13. Additionally, the cover letter and community survey will inform recipients that Saturday window service hours and access to delivery receptacles will not change as a result of POSTPlan's realignment of weekday window service hours. *Id.*

The cover letter will also solicit locally established businesses or organizations to serve as Village Post Offices (VPOs) in addition to the POSTPlan options outlined above. *Id.* Interested respondents will be directed to the Postal Service website to learn more about operation of a VPO. *Id.*

Finally, community members will be asked to indicate their preferences for the time of day during which the Post Office will provide window service hours in the event that window service hours are realigned. Tr. 1/36, 146; USPS-LR-N2012-2/13. When requesting this information from respondents, the community survey will also inform

respondents that “box up” time, *i.e.* the time when mail is normally delivered to mail receptacles, could be affected by the range of hours selected. Tr. 1/157; USPS-LR-N2012-2/13.

The Postal Service will review the surveys and operational needs of the Postal Service to determine whether a Post Office will continue with realigned window service hours. USPS-T-1 at 17-18. The Postal Service will then hold a community meeting to discuss the results of the survey. USPS-T-1 at 18.

If the Postal Service determines to maintain a Post Office with realigned retail window hours, Postal Service personnel will take into account feedback gathered at the community meeting, in addition to survey responses, to determine the time of day in which retail window service will be available and the timeframe for implementation. USPS-T-1 at 18; Tr. 1/31. Once the hours of the Post Office are determined following the community meeting, the Postal Service will provide notice to the community. Tr. 1/315-316.

If a candidate Post Office is not continued with realigned window service hours, the Postal Service will likely proceed with a discontinuance study of the facility consistent with USPS Handbook PO-101. USPS-T-1 at 18. If the candidate Post Office is not currently being studied for discontinuance, the Postal Service will provide an explanation of why the Postal Service declined to realign window service hours at a particular Post Office in its notice initiating or continuing the discontinuance study. USPS-T-1 at 18. Generally, the Postal Service will only initiate a discontinuance study for a POStPlan Office if the community exhibits a strong preference for discontinuance study. See USPS-T-1 at 15; Tr. 1/91, 159.

For a Post Office that is currently operational and being studied for discontinuance, the discontinuance process for that Post Office will be held in abeyance pending a determination of whether to realign window service hours. USPS-T-1 at 18-19. If a candidate Post Office currently being studied for discontinuance is continued with realigned retail window hours, the process will be the same as described above. USPS-T-1 at 18-19. If a candidate Post Office currently being studied for discontinuance is not continued with realigned window service hours, the Postal Service will likely resume the discontinuance study and the decision not to realign retail window hours will be explained in either a revised proposal or a revised final determination, depending on the stage of the discontinuance study. USPS-T-1 at 18-19; Tr. 1/235-237.

E. The Postal Service Will Continue To Provide Regular And Effective Access To Postal Products And Services.

In addition to customer access to postal products and services during the realigned hours of operation of individual POSTPlan Offices, and through alternative access channels, POSTPlan includes a number of additional provisions to ensure customer access to products and services.⁶

Specifically, the Postal Service has made clear that Saturday hours will not change as a result of POSTPlan. See, e.g., USPS-T-1 at 16; Tr. 1/33, 111. This decision was made, at least in part, to allow the Postal Service to review customer use of Saturday window hours during the implementation period, with the expectation that Saturday hour usage may increase with the implementation of POSTPlan. Tr. 1/39.

⁶ Use of alternative access channels for Postal Services has grown by four percent this year. Tr. 1/219; see also Tr. 1/107-108.

The Postal Service has also made clear that access to Post Office boxes or other mail receptacles will not be reduced as a result of POSTPlan. See, e.g., USPS-T-1 at 16; Tr. 1/326. Specifically, where necessary, the Postal Service will make changes to Post Office Box lobbies or identify other solutions, such as cluster box units or VPOs, to allow customer access to delivery receptacles for at least the same period of time available to customers today. Tr. 1/62, 67, 250-251, 286-287.

Additionally, as witness Day explained in his testimony, the Postal Service is aggressively working to establish Village Post Offices (VPOs) in affected communities as supplemental access to postal customers, and not only as a replacement option. Tr. 1/124, 196-197, 265, 292-293, 318. This is evidenced by the recent increase in the number of VPOs and by the customer survey which solicits contact information from local businesses that may be interested in contracting with the Postal Service as a VPO. Tr. 290-291.

Further, the Postal Service will continue to serve communities through existing policies and procedures. Specifically, under POSTPlan, customers will continue to have regular and effective access to accountable mail and parcels. Tr. 1/69-71. For example, accountable mail and parcels generally may be left in parcel lockers, redelivered to the customer or an alternative address using PS Form 3849, picked up by an agent using PS Form 3849, or sent to a neighboring Post Office. Tr. 1/69-71, 126, 322. Additionally, VPOs with parcel lockers are available to some customers. Tr. 1/306.

In addition, the Postal Service does not anticipate that collection times or delivery times will be affected by POSTPlan. Tr. 1/53-54, 222. This is because employees, other than Postmasters, who work within the APO reporting structure of a particular Post Office will continue to be available to perform responsibilities associated with collection and dispatch. Tr. 1/59-60, 297-298. For example, as explained by witness Day, contract drivers today are able to retrieve and drop off mail at a facility that is not open by accessing a locked foyer without requiring access to the Post Office or Postmaster. Tr. 1/253-254. Such practices will similarly be employed in affected offices.

Finally, the Postal Service will follow existing policies and procedures used today to recruit both career and non-career employees. Tr. 1/42. As witness Day explained, the Postal Service has been able to fill part-time and non-career positions for many years. Tr. 1/206-207. The Postal Service has also recently announced that Postmasters eligible for optional retirement may have the opportunity to serve as non-career employees in Level 2 and 4 RMPOs without any effect on their annuity payments. Tr. 1/42. Additionally, Postal Service employees will have the option to travel to more than one facility during the work day. Tr. 1/75, 299-300.

F. The Postal Service Presents The Retail Window Service Hour Realignment Option In POSTPlan As An Alternative To The Discontinuance Study Process.

Postal Service senior management developed the retail window service hour realignment option within POSTPlan as an alternative to the discontinuance study process. USPS-T-1 at 10. The retail window service hour realignment option responds to suggestions offered by customers as part of discontinuance study processes and during a market research study conducted by the Postal Service. Tr. 1/275; USPS-T-1 at 19-21. The market research results, described in pages 19-21 of witness Day's

testimony, show that a majority of customers prefer retail window service hour realignment to discontinuance. USPS-T-1 at 19-21.

The Postal Service has been consistent in separating the retail window service hour realignment and discontinuance study options included in POSTPlan. See *id.* at 17 (explaining that Handbook PO-101 does not apply to consideration of the retail window service hour realignment option); *id.* at 19 (“the discontinuance study is a separate track from the process of the Postal Service’s consideration of realigned hours”); Tr. 1/118 (“The procedures for retail window service hour realignment described in POSTPlan are independent of the Post Office discontinuance [study] process, and they will not be included in Handbook PO-101”); Tr.1/19 (explaining that evaluation of the retail window service hour realignment option will not consider community feedback gathered in connection with a discontinuance study); Tr. 1/316 (explaining that retail window service hour realignment is separate and distinct from the discontinuance study process and outside the scope of Handbook PO-101). As explained by witness Day, the evaluation of a Post Office for realignment of retail window service hours occurs independent of the discontinuance study process and is not subject to the requirements of Handbook PO-101. USPS-T-1 at 17; Tr. 1/118, 316. Evaluation of the retail window service hour realignment option will consider feedback received via survey responses and a community meeting, separate and independent from the discontinuance study process. Tr. 1/19. Community feedback collected as part of the discontinuance study process will not be considered during assessment of the retail window service hour realignment option. *Id.* Classification of a Post Office as an RMPO or a PTPO will have no impact on the potential future application of the discontinuance study process to that Post

Office, and interested persons challenging the discontinuance of RMPOs and PTPOs will continue to have appeal rights to the Commission in connection with the discontinuance process. Tr. 1/32, 79, 116. Accordingly, 39 U.S.C. § 404(d) does not apply to the Postal Service's evaluation of a Post Office for realignment of retail window service hours.

G. POStPlan Addresses Alternate Access Options Considered Within The Discontinuance Study Process.

POStPlan candidate Post Offices that are not selected for retail window service hour realignment will be considered candidates for the discontinuance study process. USPS-T-1 at 18-19. Although POStPlan does not include any substantive change to the discontinuance study process, witness Day highlights some of the alternate access options considered as part of the discontinuance study process. Tr. 1/36; USPS-T-1 at 15. Specifically, he identifies the Village Post Office, carrier service, and a nearby Post Office as sources that are available to serve a customer's postal needs. Tr. 1/36. Witness Day emphasizes the importance of the Village Post Office concept, explaining that the Postal Service intends to pursue aggressive expansion of this option. Tr. 1/318. The Village Post Office option is not limited to communities impacted by a discontinuance study, and a Village Post Office may be established in communities served by Post Offices that experience a realignment of retail window service hours. *Id.* at 196-197, 241, 264-265.

In addition, for Post Offices that undergo a discontinuance study, that study will follow the recently revised USPS Handbook PO-101, filed as USPS-LR-N2012-2/5. As witness Day explained in his testimony, the discontinuance process has been updated and will now use actual employee costs in its economic analysis. USPS-T-1 at 22. The

Postal Service's Change, Suspension & Discontinuance Center computer system (CSDC) was also improved to provide further refined economic calculations and a more robust customer survey. *Id.* at 22-23.

H. POSTPlan's Annual Review Process Will Ensure That Post Offices' Retail Window Service Hours Continue To Align With Actual Workload.

In order to ensure that customers' postal needs continue to align with the Postal Service's retail network, the Postal Service will review the AEWL for all Level 2, 4 and 6 RMPOs and PTPOs on an annual basis. See USPS-T-1 at 16. Based on this review, the level for these RMPOs and PTPOs may increase, decrease or remain unchanged. See Tr. 1/64, 189-190. The first annual review will occur in FY 2014 and will use FY 2013 data to determine AEWL. See USPS-T-1 at 16. Similarly, subsequent annual reviews will use the prior year's data to determine AEWL. See *id.*

In addition to changes in AEWL, the Postal Service will monitor other changes that could result in the reclassification of certain Post Offices, such as long term changes to transportation access and physical changes to other retail facilities. See Tr. 1/32, 86; see *also* USPS-T-1 at 16.

I. POSTPlan Will Provide Significant Labor Cost Savings.

As articulated throughout the record, the Postal Service's goal in pursuing POSTPlan is to improve efficiency while meeting customer need by aligning retail window service hours to reflect actual customer use. See, e.g., Tr. 1/95, 120. While not contingent on a specific cost savings estimate or expectation, the Postal Service does anticipate that the POSTPlan will provide significant labor cost savings due to lower salary and benefit costs and a reduction in overall retail window service hours. USPS-T-1 at 9; Tr.1/95, 120, 279-280.

In calculating the estimated labor cost savings, the Postal Service used the average salary and benefit costs for all EAS Level 16 and below Postmasters (the average of the highest and lowest salaries currently paid to Postmasters within each EAS level). See Response to Questions Raised During Oral Cross-Examination at Tr. 1/309; Tr. 1/283.⁷ Witness Day explained that this estimate represents a conservative approach to the labor cost savings evaluation as it does not account for the fact that actual Postmaster salaries in POSTPlan offices are currently higher than this average, as many of the Postmasters in the affected offices are on the higher end of the pay-scale due to seniority. Tr. 1/166-167, 183-184, 282-283. As such, witness Day believes that the Postal Service will see higher savings than estimated. Tr. 1/184.

IV. POSTPLAN COMPLIES WITH APPLICABLE STATUTORY POLICIES

The POSTPlan complies with all applicable requirements of title 39, including sections 404, 403 and 101. At no point during written discovery nor at the hearing, did any party raise an issue or concern with the POSTPlan's compliance with any section of Title 39.

First, it is important to highlight that the Postal Service, pursuant to 39 U.S.C. § 404(a)(3), has the sole power to “determine the need for post offices . . . and provide such offices . . . as it determines are needed,” except for the discontinuance of Post Offices, which are subject to procedural requirements and Commission review pursuant to 39 U.S.C. § 404(d). The Postal Service, consistent with this power, will review Post Offices under POSTPlan and realign window service hours to align with customer use as

⁷ The cost savings estimate does not include the average salaries of OICs or PMRs acting as Postmasters in POSTPlan offices. See Tr. 1/132. This is in part because the Postal Service maintains salary and benefit data based on employee grade level, not employee assignment. See Response to Questions Raised During Oral Cross-Examination at Tr. 1/309.

reflected by actual workload. See USPS-T-1 at 9-10; see *also* Tr. 1/232. This determination to adjust window service hours is not a discontinuance pursuant to section 404(d), and therefore is consistent the Postal Service's general power to determine the need for Post Offices under section 404(a)(3).

Title 39 U.S.C. § 403 (a) directs the Postal Service to “serve as nearly as practicable the entire population of the United States” and pursuant to section 403(b)(3) “to establish and maintain postal facilities . . . that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.” As explained above and in witness Day's testimony, POStPlan ensures continuation of regular and effective access to postal products and services throughout the United States. See USPS-T-1 at 7-9; see *also* Tr. 1/218-219.

In addition, pursuant to 39 U.S.C. § 101(b), the POStPlan will continue to provide “a maximum degree of effective and regular postal services to rural areas, communities and small towns.” Communities affected by POStPlan will continue to receive postal services that meet or exceed their actual use. See USPS-T-1 at 15; see *also* Tr. 1/91. Thus, effective postal services will continue to be provided to residents of rural communities after POStPlan. Furthermore, POStPlan is consistent with the provision of section 101(b) against closing small Post Offices solely for operating at a deficit because offices are not selected for discontinuance based on their operation at a deficit; rather, other factors, including community preference and operational needs, guide such decisions.

Finally, if the Postal Service, based upon the analysis described above, determines that discontinuance of a Post Office is appropriate, the Postal Service will utilize the existing procedures in USPS Handbook PO-101, which correspond to the statutory requirements of section 404(d). As described in witness Day's testimony, the Postal Service has made refinements and enhancements to its processes for discontinuance studies, including the use of actual employee costs in its economic analysis, development of a complex financial workbook which utilizes detailed financial information for one time costs, and inclusion of a new customer survey with more questions that measure non-revenue transactions at Post Offices. See USPS-T-1 at 23-24. As such, any discontinuance action will be consistent with section 404(d).

V. CONCLUSION

Pursuant to its May 25, 2012 Request, the Postal Service seeks in this docket an advisory opinion from the Postal Regulatory Commission pursuant to section 3661 of title 39, United States Code confirming that POSTPlan is consistent with the policies of title 39. As demonstrated above, POSTPlan represents a proper balancing and consideration of relevant statutory objectives and policies. Accordingly, the Postal Service respectfully requests that the Commission issue an advisory opinion that affirms that the resulting changes in the nature of postal services conform to the policies of title 39, United States Code.